

## Message Text

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FM SECSTATE WASHDC

TO AMCONSUL ISTANBUL

INFO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: BENC, TU

SUBJECT: MAJOR PROJECT: ASIL CELIK ROLLING AND STEEL MILL

REF: ISTANBUL 766, ISTANBUL 561

1. DURING FEBRUARY 25 MEETING WITH ALBIN PALCZNSKI OF PENNSYLVANIA ENGINEERING (PE) WE DISCUSSED STATUS OF THEIR ASIL CELIK PROPOSAL. PE'S OFFER COVERS FEASIBILITY STUDY AS WELL AS FOLLOW-ON ENGINEERING, PROCUREMENT, AND PROJECT MANAGEMENT ON THE MINI-STEEL MILL. MAJOR COMPONENTS INCLUDE A MELT SHOP WITH TWO ELECTRIC FURNACES, DEGASSING FACILITY, BLOOMING BILLET MILL, AND A ROD MILL. THE PLANT IS DESIGN TO PRODUCE 90,000 MT/Y OF SPECIALIZED ALLOY STEEL FINISHED PRODUCT.

AS EMBASSY AWARE, BUDGET COST FOR THE MILL IS 85 MILLION DOLLARS OF WHICH PE ESTIMATES 20 MILLION DOLLARS FOR LIMITED OFFICIAL USE

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U.S. PROCUREMENT.

2. PALCZNSKI INDICATES THERE ARE CERTAIN MATTERS PERTAINING TO PROJECT WHICH ARE CONFUSING TO PE. AS AN EXAMPLE ASIL CELIK'S BUDGETED COST FOR THE MILL IS

CONSIDERABLY HIGHER THAN COMPARABLE MILLS WHICH THEY HAVE CONSTRUCTED. THE PRE-FEASIBILITY STUDY AND BASIC DESIGN AND LAYOUTS PREPARED BY THYSSEN (GERMAN) DO NOT PROVIDE SUFFICIENT INFORMATION TO CLARIFY THIS MATTER. P.E. HAS EXPRESSED THEIR CONCERN TO YARAMANCHI AND ACCORDINGLY THEY HAVE PROPOSED THAT A FEASIBILITY STUDY BE UNDERTAKEN AS AN INITIAL STEP ON PROJECT.

3. YARAMANCHI AGREES WITH PE'S APPROACH AND INDICATES A WILLINGNESS TO DISCUSS THE MATTER PROVIDED PE CAN GIVE ASIL CELIK ASSURANCES ON FINANCING. PE HAS INVITED YARAMANCHI TO U.S. FOR PROJECT DISCUSSIONS AND MEETINGS WITH EXIMBANK AND PRIVATE FINANCIAL INSTITUTIONS. YARAMANCHI HAS TENTATIVELY AGREED BUT HAS TAKEN NO FURTHER ACTION REGARDING TIMING FOR THE TRIP. IF YARAMANCHI DOES IN FACT VISIT THE U.S. PE WILL VIEW THIS AS A SIGN THAT ASIL CELIK IS SERIOUSLY INTERESTED IN THEIR PROPOSAL.

4. THE EXIMBANK TEAM WHICH WILL BE VISITING TURKEY HAS BEEN BRIEFED ON OUR DISCUSSIONS WITH PENNSYLVANIA ENGINEERING. WE SUGGEST CONGEN RAISE MATTER OF EXIMBANK GUARANTEES DURING THEIR VISIT AND IF APPROPRIATE ARRANGE MEETINGS WITH KOC/ASIL CELIK OFFICIALS.

5. IN A RELATED MATTER KAISER ENGINEERS INFORMS THAT THEY HAVE SUBMITTED PROPOSAL TO ACT AS CONSULTANT TO ASIL CELIK TO REVIEW PROJECT ENGINEERING, PROVIDE PROJECT COORDINATION, AND TO ACT AS ON-SIGHT ENGINEER DURING CONSTRUCTION. SUGGEST CONGEN MAKE APPROPRIATE REPRESENTATIONS ON BEHALF OF KAISER ENGINEERING.

6. ACTION REQUESTED: REQUEST-ONGEN CONTACT YARAMANCHI ENCOURAGE HIM TO VISIT U.S. FOR PROJECT DISCUSSIONS AND IF POSSIBLE SET THE TIMING FOR HIS TRIP. WE WOULD LIMITED OFFICIAL USE

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ALSO APPRECIATE FURTHER INFORMATION ON THYSSEN'S ROLE IN PROJECT SINCE THERE IS CONCERN THEY MAY SHOW BIAS FOR GERMAN SOURCING. INGERSOLL

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